Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1994	)	GN Docket No. 07-45

QWEST'S COMMENTS ON THE FIFTH NOTICE OF INQUIRY

Competition in the markets for advanced telecommunications is robust and increasing. Qwest Corporation and Qwest Communications Corporation (jointly referred to as "Qwest"), commend the Federal Communications Commission ("Commission") for recognizing that policies of minimal regulation will allow the forces of supply and demand to drive deployment and adoption of advanced and high-speed services. In particular, Qwest commends the Commission for its *Wireline Broadband Order*,[1] which worked to level the playing field between telephone companies and their intermodal broadband competitors.

Wireline broadband providers have used this new freedom to offer innovative new products and pricing plans to consumers and to Internet access service providers. As the Commission has noted, from June 2004 to June *2004*, there was a significant decrease in the gap between the wealthiest and poorest zip codes in terms of percentage of households subscribing to high-speed lines. As of June 2006, 99.3% of the highest-income zip codes had high-speed lines,

[1] *In the Matter of Appropriate Framework for Broadband Access to the Internet over Wireline Facilities,* Report and Order and Notice of Proposed Rulemaking, 20 FCC Rcd 14853 (2005), *pets. for rev. pending sub nom., Time Warner Telecom v. FCC*, No. 05-4769 (and cons. cases) (Third Circuit, Oral argument held Mar. 16,2007).

and 90.6% of the lowest-income zip codes had high-speed lines. This 8.7% gap compared to a 17.4% spread two years earlier.' Similarly, the gap between the percent of densely and sparsely populated zip codes that have high-speed subscribers has shrunk. In June 2006, 89.3% of the most sparsely populated zip codes had high-speed subscribers, compared to 73.4% two years earlier.[3] The task before the broadband industry and the Commission is to ensure that the remaining 10.7% of the most sparsely populated zip codes gain high-speed subscribers. There are two prongs to reaching that goal: further deployment and increased subscription rates.

On the whole, Qwest believes that deployment should be driven by market factors. Yet, as the wireline provider serving the most rural territory in the country, Qwest understands that there are high-cost areas where there is not enough demand to spur investment due to sparse population and far-flung customer premises. In these areas Qwest believes that the government should provide incentives to private enterprise to provide service, where the market has failed to drive deployment. Government funds are not manna from heaven; rather, these funds are tax dollars coming from American households and businesses, and thus should be used sparingly.

Government funds should be used to provide iandiine-based broadband in areas currently without landline broadband service. Such funding should be targeted to unserved, non-urban areas that currently do not have any landline broadband service. Because government dollars are scarce, support should go to only the most efficient, low-cost solution. This broadband funding

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[2] *See In the Matter* ď *Inquiry Concerning the Deployment* ď *Advanced Telecommunications Capability to All American in a Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Deployment Pursuant to Section 706* ď *the TelecommunicationsAct* ď *1996,* Notice of Inquiry, GN Docket No. 07-45, FCC 07-21, rel. Apr. 16, 2007 ¶ 26.

[3] In June 2006, 99.4% of the most densely populated zip codes had at least one high-speed subscriber compared to 98.9% two years earlier. Thus, the gap shrunk from 25.5 percentage points to 10.1 percentage points. *Id.* ¶ 25 n.33.

should be separate from the Universal Service Fund. Rather, it should be funded from general tax revenues.

The Agriculture Department's Rural Broadband Loan program has the potential to be a program that meets this need to spur deployment in hard to serve areas. Yet, in its history it has funded only one program to serve a rural area completely without broadband service.[4] Thus, in most instances the Agriculture Department's funding may go to add a competitor to an area already receiving broadband service, rather than providing money to areas lacking any such service. This means that the government funds could end up funding a cornpetitor to a company that already put capital at risk to serve a rural area. Qwest does not believe that the Agriculture Department's program should provide loans in markets where there are already broadband service providers. First, providing subsidies in areas already served by a broadband provider denies money to areas lacking in high-speed services. Second, government subsidies in competitive markets undermine the risk-capital and shareholder funds that commercial service providers have invested. Finally, providing subsidies to second, third, fourth or fifth entrants, has the perverse consequence of decreasing incentives for commercial providers to invest in un-served areas for fear of having to compete against a government subsidized competitor.

In sum, Qwest believes that market forces will spur deployment, in all but the most remote areas. In those areas, Qwest believes that the government should provide incentives for deployment of the most efficient landline solution but should not fund competitors to providers that have already invested in serving rural areas.

Turning to consumer adoption and usage of advanced telecommunications capability, Qwest believes that the development and deployment of innovative services, particularly

[4] See 72 Fed. Reg. 26742,26748 (May 11,2007).

Internet-based services, will drive consumer adoption. Each household may have different services that spur adoption. For some households. particularly those that make lots of telephone calls it may be Voice over Internet Protocol. For other households, such as those that enjoy the media. it may be sending and receiving music, photograph and video files. A number of companies are making significant investments in infrastructure in the hope and belief that Internet Protocol Television ("IPTV") will spur consumer adoption. Even the least technology "savvy" households may desire an alternative to cable and satellite television. Thus, as barriers to cable franchising fall, and deployment of IPTV increases, subscription to broadband will likely increase too. In order to spur broadband subscriptions, the Commission should work to remove barriers to the deployment of IPTV.

In sum, the Commission should continue its policy of minimal regulation. The market will work to spur facilities deployment except in the most barren, sparsely populated geographies. Development and dissemination of new applications will spur an increase of consumer take-rates. Kernoving barriers to deployment of IPTV and other applications will be an important task for the Commission over the next three years, until the sixth Notice of Inquiry.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, Richard Grozier, do hereby certify that I have caused the foregoing **QWEST'S COMMENTS ON THE FIFTH NOTICE OF INQUIRY** to be 1) filed with the Office of the Secretary of the FCC via ECFS; 2) served via email on Jeremy Miller at jeremy.miller@fcc.gov; and 3) served via email on the FCC's duplicating contractor Best Copy and Printing, Inc. at fcc@bcpiweb.com

/s/ Richard Crozier

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